

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On Its Own Motion :
-vs- :
Mt. Carmel Public Utility Company : **01-0704**
: :
Reconciliation of revenues :
collected under gas adjustment :
charges with actual costs. :

ORDER

By the Commission:

In this proceeding, the Illinois Commerce Commission (“Commission”) entered an Order Commencing this purchased gas adjustment (“PGA”) Reconciliation Proceeding, in accordance with the requirements of Section 9-220 of the Public Utilities Act (“Act”) (220 ILCS 5/9-220). That Order directed Mt. Carmel Public Utility Co. (“Mt. Carmel” or “Company”) to present evidence at a public hearing to show the reconciliation of Respondent’s purchased gas adjustment clause (“PGA”) revenues with the actual cost of such gas supplies “prudently purchased” for the 12 months ended December 31, 2001 (the “Reconciliation Period” or “reconciliation year”).

Pursuant to due notice, hearings were held in this matter before a duly authorized administrative law judge of the Commission at its offices in Springfield, Illinois. Appearances were entered by counsel for Mt. Carmel and by members of the Energy and Financial Analysis Divisions of the Commission (“Staff”). Evidence was presented by Mt. Carmel and Staff, and at the conclusion of the hearings, the record was marked “Heard and Taken.”

Applicable Authority

In accordance with Section 9-220 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a purchased gas adjustment clause. Section 9-220(a) requires the Commission to initiate annual public hearings “to determine whether the clauses reflect actual costs of . . . gas . . . purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of . . . gas . . . prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code Part 525, "Uniform Purchased Gas Adjustment Clause." Section 525.40 of Part 525 identifies gas costs which are recoverable through PGA. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

Information Presented

Mt. Carmel's principal offices are located in Mt. Carmel, Illinois in Wabash County. The Company provides natural gas service to approximately 3,700 customers located primarily in Wabash County.

During the reconciliation year, Mt. Carmel's natural gas supply was purchased from Woodward Energy Inc. ("Woodward") pursuant to a contract with that company. Expected monthly takes under the contract with Woodward are provided to Woodward annually. (Tr. 18) Various elements of the contract with Woodward, including pricing, are summarized in Mt. Carmel Exhibit 3.0 at pages 20-21.

Gas obtained for Mt. Carmel is transported into the area by Texas Eastern Transmission Corp. ("Texas Eastern"). Capacity reservations, charges and other terms associated with pipeline transportation from Texas Eastern are summarized in Mt. Carmel Exhibit 3.0 at page 15. (ENG 2.26).

Mr. Philip Barnhard IV, the Company's Chief Executive Officer, said Mt. Carmel has "no choice but to take off of Texas Eastern." (Tr. 22) According to Mr. Barnhard, connecting with the next nearest pipeline would require construction of 12 miles of pipeline, which in his opinion would not be cost effective. (Tr. 22-23)

The methods used by Mt. Carmel to forecast load requirements and plan its mix of resources were described in Mt Carmel Exhibit 3.0 at pages 8 and 9. Mr. Barnhard described his company's efforts to obtain gas supply in an economic manner, such as by purchasing forward gas when such prices are low. (Tr. 27) He said Mt. Carmel uses the forward price as its striking price, and Woodward will in turn deliver the gas at that price. (Tr. 27) The balance of the gas was purchased at the index price for the upcoming month. (Tr. 33-34) For the reconciliation year, the volume of forward gas purchases was slightly higher than index gas purchases. (Tr. 34; Mt. Carmel Ex. 3.0 at ENG 2.46) No propane was used, and no storage was contracted, during the reconciliation year.

The Company's peak day send-out in the reconciliation year occurred on January 2. The peak day send-out for each month is shown in Mt. Carmel Exhibit 3.0 at 6. (ENG 2.11) The Company states that no service was curtailed, and that no unauthorized gas was taken, during the reconciliation year. (Id. at 7)

With regard to Mt. Carmel's reconciliation of revenues collected under its PGA with costs incurred, Mr. Barnhard sponsored Exhibit G2 to his direct testimony that identified and reconciled all components of the Company's 2001 gas costs and recoveries. Exhibit G-2, and the Appendix to this order, show the PGA reconciliation for the commodity gas charge component, the non-commodity gas charge component, and the combined gas charge. Combined gas costs for the reconciliation year were \$2,556,601.61, and combined PGA revenues were \$2,772,851.61 for an over-recovery of \$214,492.43. After other adjustments including Factor A, the requested Factor O is \$4,507.41.

Staff's Recommendations

Mr. Bryan Sant of the Staff sponsored ICC Staff Exhibit 1.0. Mr. Sant testified that he had reviewed the Company's PGA Reconciliation shown on Exhibit G-2, pages 1 through 3, and the underlying documents which support the calculations. Mr. Sant stated that Staff found no reason to object to Respondent's reconciliation of PGA revenues collected under its PGA tariff with the actual cost of gas supplies. Mr. Sant recommended that the Commission accept the reconciliation of revenues collected under the PGA tariff with actual costs as reflected on Exhibit G-2 to Mr. Barnhard's testimony, including the required Factor O or "Ro". Regarding Factor Ro, he explained that the reconciliation requires a Factor Ro to recover \$7,508 through the commodity charge and to refund \$3,001 through the non-commodity gas charge.

Mr. Dennis L. Anderson of the Staff sponsored ICC Staff Exhibit 2.0. Mr. Anderson testified that Staff had reviewed the Company's filing and its responses to numerous data requests ("DRs") concerning the prudence of the Company's gas purchases during the reconciliation period. Mr. Anderson further stated that he applied the Commission's criteria for prudence identified in a prior docket, and determined that the Company's gas supply purchases were prudently incurred during the reconciliation year. Certain of the DR responses referenced above were entered into the record as Mt. Carmel Ex. 3.0.

Commission's Conclusions, Findings and Ordering Paragraphs

The Commission concludes that the 2001 PGA reconciliation presented by the Company, and reviewed by Staff, as shown in the Appendix hereto, is reasonable and should be approved.

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged, among other things, in the distribution of natural gas to the public in portions of the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;

- (2) the Commission has jurisdiction over Mt. Carmel and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the calendar year 2001 Reconciliation Period, Mt. Carmel acted prudently in its purchases of natural gas;
- (5) the cost of purchased gas has been reconciled satisfactorily with the revenues received for such gas during calendar year 2001, as shown in the Appendix hereto.

IT IS THEREFORE ORDERED that Mt. Carmel's reconciliation of the revenues collected under its PGA for calendar year 2001 with the actual costs prudently incurred for the purchase of gas supply, as shown in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Mt. Carmel shall collect the Factor O of \$4,507.41 in its first monthly PGA filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 12th day of March, 2003.

(SIGNED) EDWARD C. HURLEY

Chairman